

~~SECRET~~

CHINESE COMMUNIST EXTORTION CAMPAIGNS
AMONG OVERSEAS CHINESE

25X1A8a

25X1A9a.

Date completed: 9 April 1954

~~SECRET~~

~~SECRET~~

CHINESE COMMUNIST EXTORTION CAMPAIGN AMONG OVERSEAS CHINESE

SUMMARY

In its constant efforts to augment its revenue, the Chinese Communist regime did not stop at extracting the wealth of landlords and bourgeoisie within China. It extended its money-raising operations to Chinese in other parts of the world, using threats against relatives, blackmail and other pressure tactics to extort hard currency funds from the overseas Chinese, as a means of improving its foreign exchange position.

Communist authorities have intercepted funds sent by Chinese abroad to their relatives in China, demanded contributions to Communist-controlled overseas organizations, imposed discriminatory taxes on the mainland families and property of overseas Chinese and have threatened imprisonment, torture or execution of mainland relatives, holding them for foreign currency ransoms.

This extortion campaign, which reached its peak in 1951, was in direct antithesis to stated policies of the Peiping government. In 1949 the government officially announced that it would "do its utmost to protect the legitimate rights and interests of Chinese residing abroad." This propaganda at first caused many overseas Chinese to be favorably disposed toward the Peiping regime, but it was not long before most of them were completely disillusioned.

Although outright extortion slackened noticeably during 1952, probably because it had become relatively ineffective and a political

~~SECRET~~

liability, the Communists have continued their efforts to obtain foreign funds from overseas Chinese. Recently they have employed more subtle devices, such as inviting investments in Red China or floating bond issues in overseas Chinese communities.

~~SECRET~~

~~SECRET~~

CHINESE COMMUNIST EXTORTION CAMPAIGN AMONG OVERSEAS CHINESE

Through discriminatory tax levies and various campaigns against alleged corruption the Chinese Communist government has been able to extract large amounts of new revenue from the Chinese landlords and bourgeoisie. The Peiping regime has not limited its activities to "counter-revolutionary" elements within China, but has extended its money-raising operations to Chinese living in many other parts of the world. Since the inception of the Peiping regime, Chinese Communist authorities have engaged in a series of schemes to extort hard currency funds from overseas Chinese for the particular purpose of improving Peiping's foreign exchange position.

At first money was collected by intercepting remittances from Chinese overseas to relatives in China or by soliciting contributions from overseas Chinese to Communist-dominated overseas organizations. When such methods failed to produce the desired results, the Communists brought pressure on the overseas Chinese by levying heavy and discriminatory taxes on their families in China and by establishing excessive "victory bond" quotas in areas where persons with relatives overseas were preponderant. The government hoped that the overseas relatives would remit funds to save their families from ruin.

Subsequently, the Communist authorities resorted to more severe pressure tactics, blackmailing overseas Chinese individuals and communities by threatening imprisonment, torture or execution of

~~SECRET~~

~~SECRET~~

mainland relatives or the confiscation of mainland property.

These methods were directly opposed to the stated Communist policies toward overseas Chinese groups. The "Common Program," officially announced by Peiping in October 1949, stated: "The Central People's Government of the Republic of China shall do its utmost to protect the legitimate rights and interests of Chinese residing abroad." Propaganda putting forth this idea has been widely circulated among overseas Chinese, and during the first year of the regime this propaganda was effective enough to favorably dispose many overseas Chinese toward the Communists. By the latter part of 1950, however, overseas Chinese communities began to realize the emptiness of Communist promises.

The first signs of open extortion within China began to appear in mid-1950 when the people, in particular tenant farmers, were encouraged by Communist government authorities to air their grievances against landlords and employers. Landlords were accused of making overcharges and were subjected to "court trials" by the government-sponsored "Farmers Associations." Employers were accused of underpaying labor.

In February 1951 the emphasis shifted to hunting out and destroying so-called counter-revolutionary elements who endangered the people's movement. When the campaign to eliminate opponents of the new regime had generated sufficient terror, a new feature was added; the placing under house supervision or arrest of selected individuals who had overseas relatives on charges that required the payment of

~~SECRET~~

~~SECRET~~

heavy fines. The accused were told to ask their relatives abroad for money to pay the fines. Illiterate persons were helped to write telegrams or letters requesting funds. The Farmers Associations kept 30 per cent of the fines paid and the balance went to the Communist authorities. Evidence indicated that the extortion racket was extremely well organized. Within days of the arrival of extortion letters from China, many US addressees received gaily colored cards, not through the mails, but pushed under their doors or deposited at the places where they normally picked up their mail, such as family clubs or grocery stores. The cards subtly suggested a method of forwarding ransom to relatives on the mainland of China. For example, each family in the Canton area with a male relative overseas had to pay the Communist government 200 pounds of grain-- or HK\$170 if no grain could be had--per male relative overseas. Communist agents in Hong Kong called on prospective contributors in person. They showed credentials which described them as representatives of the party and they apparently worked out of Canton. One wealthy manufacturer in Shanghai moved to Hong Kong with five of his sons, the sixth remaining in charge of the company's plant. Before leaving the mainland, the father transferred several million US dollars to Hong Kong, Swiss and US banks, leaving a modest sum in Shanghai for operation of the company. After the Communist takeover, the authorities seized five-sixths of the business, leaving the son a one-sixth interest. He served as operating director. The

~~SECRET~~

~~SECRET~~

government forced the son to reveal the amount of money sent out of China for investment and demanded that the father in Hong Kong return these sums, threatening execution of his son. The Communists also informed the father that his own life would be in danger if he failed to send the required amount back to Shanghai.

The brother of another Hong Kong businessman graduated from an American university and returned to Shanghai to help his native country. The brother in Hong Kong was ordered to remit several hundred thousand US dollars he had taken out of the country or the Shanghai brother would be held accountable to the authorities.

The Communists placed a man in each branch post office to scrutinize all outgoing and incoming mail. Anything of value was confiscated, and the sender or receiver was required to pay a certain percentage to a fund called "Voluntary Contributions to Help the Koreans."

Letters or cables which Chinese in the US received from their relatives usually were worded according to a standard form: "I have been convicted of a certain crime that I committed while serving in such and such a position, and I need so much money to clear myself of this crime. I must have the money immediately."

In 1952, in an effort to squeeze more money out of overseas Chinese, the Communists instituted two new rackets, known as "special privilege" offers. The first offered children or young relatives of Chinese overseas "special privileges" in education if they registered with the authorities in Canton. The Communists, after getting the names of the

~~SECRET~~

~~SECRET~~

overseas relatives forced all registrants to write personal letters asking for US dollars to help support them through school.

The second racket offered special business privileges to retired Chinese who had made their fortunes abroad and returned to China, if they registered. Some of the gullible, registered were permitted to open new firms and granted special concessions. As soon as a firm was started the Communists appointed an investigator, who never failed to discover corruption. The "guilty" persons, which meant virtually everyone, were heavily fined. The second step was to accuse these businessmen of hiding their foreign exchange and not properly reporting and surrendering their funds when ordered to do so some time previously. This meant confiscation, plus another fine.

A systematic program to persecute returned overseas Chinese was carried out. In one district of Kwangtung province, 13 known overseas Chinese were compelled to wear an identifying uniform and no one dared to talk with them for fear of persecution. Some were executed for failure to pay "taxes" and "fees" imposed by the local authorities.

During the height of the campaign in 1951 extortion through blackmail was the principal method of extracting funds from overseas Chinese. By 1952 outright extortion had become ^{less} ~~more~~ ineffective because of monetary restrictions by non-Communist governments and increased resistance to blackmail. There is also evidence that the Chinese

~~SECRET~~

~~SECRET~~

Communist authorities realized by this time that the extortion campaign had become a political liability. Although sporadic cases of extortion still are reported from time to time, the Chinese Communists, during the past year or two, have turned to more subtle means of obtaining foreign currency funds from overseas Chinese, by inviting "investments" in Chinese Communist industrial enterprises and by floating bond issues in overseas Chinese communities.

~~SECRET~~

25X1A2g

Approved For Release 1999/08/24 : CIA-RDP78-02771R000300300002-1

Approved For Release 1999/08/24 : CIA-RDP78-02771R000300300002-1